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**Tobin & Co.**

Suttons Bay-Bingham Fire and Rescue Department

Audit Report

For the Year Ended March 31, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Suttons Bay-Bingham Fire and Rescue Department</b>	County <b>Leelanau</b>
Audit Date <b>3/31/06</b>	Opinion Date <b>9/15/06</b>	Date Accountant Report Submitted to State: <b>9/26/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

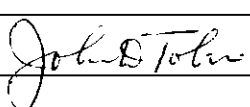
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed		
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

**TOBIN & CO., P.C.**

Certified Public Accountant (Firm Name) <b>400 E. EIGHTH ST.</b>			
<b>TRAVERSE CITY, MI 49686-2668</b>			
Street Address <b>231-947-0151</b>	City	State	ZIP
Accountant Signature 			Date <b>9/26/06</b>

# **Tobin & Co.**

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**Tobin & Co.**

INTRODUCTORY SECTION

# **Tobin & Co.**

## Comments and Recommendations

In connection with our audit of the financial statements of the Suttons Bay-Bingham Fire and Rescue Department for the year ended March 31, 2006, we submit the following comments and recommendations. This section is intended to take the place of a separate management letter.

### General

The records were kept in excellent condition. Bank accounts were reconciled monthly, journals and ledgers were properly posted, and supporting documents and follow-up procedures were adequate. Monthly financial and budget status reports were presented to the Board. Your accountant's efforts in this area are commendable.

### Budgets and Procedures

The procedures utilized in budget preparation, adoption and management were good. Budgets were adopted for the General Fund and Special Revenue Funds. The expenditures for the new fire truck were not budgeted. As a result, the capital outlay expenditures exceeded budgeted amounts by a substantial amount.

Budgets were not prepared for the Special Revenue Funds. Each fund should have an annual budget. Also, transfers between funds should be budgeted.

### Capital Assets

The Townships serviced by the Fire Department own and maintain their own fire stations, which are utilized by the Fire Department for its vehicles and equipment. Most vehicles and equipment are purchased, owned and maintained by the Fire Department, which maintains records of its capital assets, and the participating units maintain records of assets to which they have title. Some assets are possibly recorded at estimated or replacement value, due to lack of historical data; however, new purchases are recorded at acquisition cost.

In June 2005, the Department began use of a facility constructed by the Bingham-Suttons Bay Joint Building Authority. The Department is leasing the facility, and the lease payments are used by the Joint Building Authority to pay bond principal and interest. When the bonds are paid, title to the facility will be turned over to the Department. The transaction is being accounted for as a capitalized lease.

The Township made payments to the Building Authority during the year to fund debt service expenditures by the Building Authority. Such payments should be made to the Fire and Rescue Department which, in turn, should pay the Building Authority.

### Insurance and Bonds

The Department has insurance coverage for fire, liability, automobile, equipment and workmen's compensation. Coverage was reviewed during the audit year. There is surety bond coverage for the treasurer.

# **Tobin & Co.**

## Comments and Recommendations

### Receipting

Official pre-numbered receipts are not utilized when income is received. Most of the Department's revenue is received from the Townships served by the Department. Such payments received are by check. Bank deposit slips, copies of payor checks, and remittance advices are kept for support, and the system appears to be adequate at the present time. Should there be an increase in sources of income or should the Department begin receiving currency, the use of official pre-numbered receipts for all income should be implemented.

### Fire and Rescue Billings

We compiled data on the billing process for fire and rescue services. The March 31, 2005 receivables, plus billings for the year, less collections and adjustments, results in a balance that is approximately \$16,000 higher than the March 31, 2006 receivables. Part, if not all, of the difference is write-offs of bad debts, and we are not aware if records exist to determine the source of the difference. Control over this process should be implemented so that there is less likelihood of receivables escaping collection.

### Board Minutes

Board minutes were maintained in good order.

### General Fund

For the audit year, expenditures exceeded revenues by \$1,905, and the fund balance was \$206,146 at March 31, 2006.

### Equipment Replacement Fund

This fund was established to account for grants received by the Department. The Department purchased equipment amounting to \$9,953 in accordance with provision of the grant. The balance in the fund was \$25,000 at March 31, 2006.

### Vehicle Replacement Fund

This fund was established to account for non-grant monies set aside for capital purchases. The fund received \$30,000 during the year from Bingham Township and received a transfer of \$7,000 from the General Fund. Expenditures of \$77,354 were made for capital outlay, and the amount of the fund balance was \$6,994 at March 31, 2006.

### Payroll Procedures

Department payroll records were in good order.

# **Tobin & Co.**

## Comments and Recommendations

### Other Data

After the completion of our audit, we will mail two (2) copies of this report to the State Department of Treasury.

We appreciate the courtesy extended our field auditor in the course of this examination. Your confidence is respected, and please contact us if any questions arise.

# **Tobin & Co.**

## FINANCIAL SECTION



# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

Suttons Bay-Bingham Fire and Rescue Department  
Leelanau County  
Suttons Bay, Michigan 49682

We have audited the accompanying basic financial statements of Suttons Bay-Bingham Fire and Rescue Department as of and for the year ended March 31, 2006, as listed in the Table of Contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Suttons Bay-Bingham Fire and Rescue Department, Leelanau County at March 31, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The supplemental information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a Management's Discussion and Analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.



Tobin & Co., P.C.  
Certified Public Accountants  
September 15, 2006

# **Tobin & Co.**

## Suttons Bay-Bingham Fire and Rescue Department

### Statement of Net Assets

March 31, 2006

	<u>Primary Government</u>
	<u>Governmental Activities and Total</u>
<u>Assets</u>	
Cash	\$ 18,064
Investments	217,482
Taxes Receivable	39,026
Accounts Receivable	16,783
Capital Assets, Net of Depreciation	<u>2,604,327</u>
Total Assets	<u>2,895,682</u>
<u>Liabilities</u>	
Accounts Payable	7,976
Accrued Interest Payable	28,050
Capitalized Lease Payable – Due in One Year	85,000
Capitalized Lease Payable – Due after One Year	<u>1,830,000</u>
Total Liabilities	<u>1,951,026</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	689,327
Unrestricted	<u>255,329</u>
Total Net Assets	<u>\$ 944,656</u>

The Notes to the Financial Statements are an integral part of this statement.

# **Tobin & Co.**

## Suttons Bay-Bingham Fire and Rescue Department

### Statement of Net Activities

For the Year Ended March 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Total</u>
Governmental Activities:			
Public Safety	<u>\$ 864,808</u>	<u>\$ 822,563</u>	<u>\$ (42,245)</u>
Total Governmental Activities	<u>\$ 864,808</u>	<u>\$ 822,563</u>	<u>(42,245)</u>
General Revenues:			
Unrestricted Investment Earnings			3,112
Miscellaneous			<u>38,241</u>
Total General Revenues			<u>41,353</u>
Change in Net Assets			(892)
Net Assets – Beginning			<u>945,548</u>
Net Assets – Ending			<u>\$ 944,656</u>

The Notes to the Financial Statements are an integral part of this statement.

# **Tobin & Co.**

## Suttons Bay-Bingham Fire and Rescue Department

### Balance Sheet

#### Governmental Funds

March 31, 2006

<u>Assets</u>	<u>General</u>	<u>Equipment Replacement</u>	<u>Other</u>	<u>Total</u>
Cash in Bank	\$ 18,064	\$ -	\$ -	\$ 18,064
Investments	179,275	25,000	13,207	217,482
Taxes Receivable	39,026	-	-	39,026
Accounts Receivable	16,783	-	-	16,783
Total Assets	<u>\$ 253,148</u>	<u>\$ 25,000</u>	<u>\$ 13,207</u>	<u>\$ 291,355</u>

#### Liabilities and Fund Balances

##### Liabilities:

Accounts Payable	\$ 7,976	\$ -	\$ -	\$ 7,976
Deferred Revenue	39,026	-	-	39,026
Total Liabilities	<u>47,002</u>	<u>-</u>	<u>-</u>	<u>47,002</u>

##### Fund Balances:

Unreserved	206,146	-	-	206,146
Unreserved reported in Special Revenue Funds	-	25,000	13,207	38,207
Total Fund Balances	<u>206,146</u>	<u>25,000</u>	<u>13,207</u>	<u>244,353</u>

##### Total Liabilities and Fund

Balances	<u>\$ 253,148</u>	<u>\$ 25,000</u>	<u>\$ 13,207</u>
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Amounts reported for governmental activities on the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds. 689,327

Accrued interest payable on capitalized lease is not recognized in the funds. (28,050)

Property taxes receivable are not deferred in the statement of  
net assets 39,026

Net Assets \$ 944,656

The Notes to the Financial Statements are an integral part of this statement.

# Tobin & Co.

## Suttons Bay-Bingham Fire and Rescue Department Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended March 31, 2006

	<u>General</u>	<u>Equipment Replacement</u>	<u>Other</u>	<u>Total</u>
<u>Revenues</u>				
Contributions from Local Units	\$ 596,442	\$ -	\$ 30,000	\$ 626,442
Grants	26,532	28,000	-	54,532
Charges for Services	141,430	-	-	141,430
Interest and Rents	3,112	-	-	3,112
Other	38,241	-	-	38,241
Total	<u>805,757</u>	<u>28,000</u>	<u>30,000</u>	<u>863,757</u>
<u>Expenditures</u>				
ALS Services	21,297	-	-	21,297
Building	36,262	-	-	36,262
Personnel	556,442	-	-	556,442
Fire Operations	20,040	-	-	20,040
Other Charges	20,061	-	-	20,061
Debt Service	135,240	-	-	135,240
Capital Outlay	28,158	9,953	77,354	115,465
Total	<u>817,500</u>	<u>9,953</u>	<u>77,354</u>	<u>904,807</u>
<u>Excess Revenues (Expenditures)</u>	<u>(11,743)</u>	<u>18,047</u>	<u>(47,354)</u>	<u>(41,050)</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	27,846	7,008	11,000	45,854
Operating Transfers (Out)	(18,008)	(846)	(27,000)	(45,854)
Total	<u>9,838</u>	<u>6,162</u>	<u>(16,000)</u>	<u>-</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources(Uses)</u>	<u>(1,905)</u>	<u>24,209</u>	<u>(63,354)</u>	<u>(41,050)</u>
Fund Balance – Beg. of Year	208,051	791	76,561	
Fund Balance – End of Year	<u>\$ 206,146</u>	<u>\$ 25,000</u>	<u>\$ 13,207</u>	

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets over their estimated useful lives are reported as depreciation expense.

This is the amount by which capital outlays exceeded depreciation, net of related debt. 8,049

Repayment of capitalized lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of the repayment during the period. 60,000

Interest on long-term liabilities is not recorded in the governmental funds until paid but is accrued on the statement of net assets. This is the amount of accrued interest not paid during the period. (28,050)

Property taxes receivable are not deferred in the statement of net assets. This is the amount by which the amount receivable increased during the year. 159

Change in net assets of governmental activities. \$ (892)

The Notes to the Financial Statements are an integral part of this statement.

# **Tobin & Co.**

## Suttons Bay-Bingham Fire and Rescue Department

### Notes to Financial Statements

March 31, 2006

#### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

The Townships of Suttons Bay and Bingham, Leelanau County, Michigan organized a joint Fire and Rescue Department to service the two Townships and appointed a joint Board to oversee the operation. The Department is financed through a special voted tax levied by each Township.

The Department's basic financial statements include the accounts of all Department operations. The criteria for including organizations within the Department's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*", includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

##### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the Department. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

##### Fund Financial Statements:

The Department segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Department has presented the following governmental funds:

# **Tobin & Co.**

## Suttons Bay-Bingham Fire and Rescue Department

### Notes to Financial Statements

March 31, 2006

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### B. Basis of Presentation (Continued)

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Department. Revenues are derived primarily from distributions or grants from the Townships.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

##### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

# **Tobin & Co.**

## Suttons Bay-Bingham Fire and Rescue Department

### Notes to Financial Statements

March 31, 2006

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Board.

In the body of the financial statements, the actual and budgeted expenditures for the budgetary fund have been shown on a function basis. The approved budget for the funds was adopted on a function basis.

For budgetary purposes appropriations lapse at fiscal year end.

##### E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Vehicles	15 years
Equipment	5 years
Turn Out Gear	7 years
Office Furniture and Equipment	10 years

##### F. Investments

Investments as of March 31, 2006 consisted of an investment at a local bank trust department in a mutual fund consisting of allowable investments for local units of government.



# **Tobin & Co.**

## Suttons Bay-Bingham Fire and Rescue Department

### Notes to Financial Statements

March 31, 2006

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### G. Accounts Receivable

The Department contracts with an independent party to perform billing for fire and rescue services. The Department accepts assignment of its receivables and consequently accepts payments from insurance companies as payment, in full, for charges. Accounts receivable are recorded at the time services are performed and billed, and revenue recognition is at the time of billing.

##### H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provision of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2006.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2006, four cost centers exceeded budgeted amounts.

#### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

##### A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1998, states that the Board, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- 1. In bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States.
- 2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution but only if the financial institution complies with subsection (2).

# **Tobin & Co.**

## Suttons Bay-Bingham Fire and Rescue Department

### Notes to Financial Statements

March 31, 2006

#### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

##### A. Legal Provisions for Deposits and Investments (Continued)

3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after date of purchase.
4. In repurchase agreements consisting of instruments defined in (1) above.
5. In bankers' acceptances of United States Banks.
6. In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
7. In mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

##### B. Types of Deposits and Investments

The Fire Department has \$240,732 deposited with a local bank at March 31, 2006 with a carrying value of \$236,303. Interpreting the FDIC insurance coverage, \$100,000 per demand deposit account and \$100,000 per time deposit account in each depository, the Fire Department had \$140,732 of uninsured deposits at March 31, 2006.

#### NOTE 4 - CAPITAL ASSETS

	<u>3/31/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/06</u>
Governmental Activities:				
Land	\$ -	\$ 350,000	\$ -	\$ 350,000
Buildings	-	1,590,059	-	1,590,059
Vehicles	848,800	60,366	-	909,166
Equipment	97,013	58,823	-	155,836
Furniture and Equipment	<u>1,595</u>	<u>34,941</u>	<u>-</u>	<u>36,536</u>
	947,408	2,094,189	-	3,041,597
Less Accumulated Depreciation	<u>(326,130)</u>	<u>(111,140)</u>	<u>-</u>	<u>(437,270)</u>
Governmental Activities Capital Assets, Net	<u>\$ 621,278</u>	<u>\$ 1,983,049</u>	<u>\$ -</u>	<u>\$ 2,604,327</u>

# **Tobin & Co.**

## Suttons Bay-Bingham Fire and Rescue Department

### Notes to Financial Statements

March 31, 2006

#### NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts billed for fire and rescue services. The Department accepts assignment to insurers. An allowance for doubtful accounts of \$7,500 has been recorded to reflect expected realization of the amount to be paid by insurance companies.

#### NOTE 6 - TRANSFERS BETWEEN FUNDS

During the audit year the following transfers were made:

General Fund to Vehicle Replacement Fund	\$	7,000
General Fund to Building Fund	\$	2,000
General Fund to Budget Stabilization Fund	\$	2,000
General Fund to Equipment Replacement Fund	\$	7,008
Budget Stabilization Fund to General Fund	\$	27,000
Equipment Replacement Fund to General Fund	\$	846

#### NOTE 7 - INVENTORIES

The Fire Department does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses at time of purchase.

#### NOTE 8 - LEASE

Suttons Bay and Bingham Townships formed a joint building authority to construct a facility for the Fire and Rescue Department. The facility was completed in May 2006. Bonds amounting to \$1,975,000 were sold to finance the project. The Department will lease the facility from the Building Authority. Rent will be paid to the authority on the first day of the month preceding the dates on which principal and interest is due on the bonds. Interest is due on May 1 and November 1 beginning on May 1, 2005, and principal payments are due annually beginning May 1, 2005. Scheduled future bond principal and interest payments are as follows:

# **Tobin & Co.**

## Suttons Bay-Bingham Fire and Rescue Department

### Notes to Financial Statements

March 31, 2006

#### NOTE 8 - LEASE (Continued)

<u>Year End</u> <u>March 31,</u>	<u>Principal 5/1</u>	<u>Interest 5/1</u>	<u>Total</u>
2007	\$ 85,000	\$ 66,045	\$ 151,045
2008	95,000	63,345	158,345
2009	105,000	60,345	165,345
2010	115,000	57,045	172,045
2011	120,000	53,520	173,520
2012	125,000	49,783	174,783
2013	130,000	45,700	175,700
2014	140,000	41,105	181,105
2015	145,000	36,045	181,045
2016	155,000	30,568	185,568
2017	160,000	24,660	184,660
2018	170,000	18,305	188,305
2019	180,000	11,390	191,390
2020	190,000	3,895	193,895
	<u>\$ 1,915,000</u>	<u>\$ 561,751</u>	<u>\$ 2,476,751</u>

At the time the bonds are paid, title to the facility will be turned over to the Fire and Rescue Department. Therefore, the transaction is being recorded as a capitalized lease.

#### NOTE 9 - PENSION PLAN

The Department has a deferred compensation plan and a defined contribution benefit plan. The Department Treasurer administers both plans.

The deferred compensation is plan available to substantially all rescue employees. The Department may elect to match a portion of the elected deferrals. Employer contributions vest at the time contributions are made, and distributions are made the earlier of thirty-one days after participant's separation from service or attainment of age 70 ½. During the year ended March 31, 2006, the Department contributed \$11,914 to the plan.

The Department has a defined contribution plan for its fire volunteers, which is not insured by the pension benefit guaranty corporation because it is discretionary. The plan was adopted on April 1, 1990. Individuals are eligible to participate in the plan when the Department accepts application and they pass a physical examination. Contributions vest to volunteers after completing five years of service, with years of service credited for twelve consecutive months of service. Payments are made at normal retirement of age 65, or upon total disability, death or termination of employment. During the year ended March 31, 2006, the Board elected to contribute \$44,751 to the pension plan.

# **Tobin & Co.**

## Suttons Bay-Bingham Fire and Rescue Department

### Notes to Financial Statements

March 31, 2006

#### NOTE 10 - CONTINGENT LIABILITIES

There are no known contingent liabilities of the Suttons Bay-Bingham Fire and Rescue Department.

#### NOTE 11 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and firefighters; and natural disasters. During the audit year, the Department addressed these risks through the purchase of commercial insurance. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

#### NOTE 12 - COMPENSATED ABSENCES

The Department provides personnel with paid vacation/sick days. Paid vacation/sick days accrue beginning each fiscal year with a maximum of 144 hours earned per year. Unused vacation/sick pay is paid to personnel at time of termination. At March 31, 2006, the liability is estimated at \$9,902.

#### NOTE 13 - SUBSEQUENT EVENT

Effective September 1, 2006, the Department will begin operating as an Authority rather than as a Department operated jointly by Suttons Bay and Bingham Townships.

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

## Suttons Bay-Bingham Fire and Rescue Department

Schedule 1

Page 1

### Statement of Revenues, Expenditures and Changes in Fund Balance

#### General Fund

For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Contributions from Local Units:				
Appropriations:				
Bingham Township	\$ 20,000	\$ 20,000	\$ 92,353	\$ 72,353
Suttons Bay Township	20,000	20,000	82,887	62,887
Property Tax Collections:				
Bingham Township	203,000	203,000	179,192	(23,808)
Suttons Bay Township	235,000	235,000	242,010	7,010
Grants	-	-	26,532	26,532
Charges for Services:				
Rescue Runs	152,500	152,500	141,430	(11,070)
Interest and Rents:				
Earned Interest	1,200	1,200	3,112	1,912
Other Revenue:				
Township Contracts	33,000	33,000	36,352	3,352
Miscellaneous	-	-	1,889	1,889
Total Revenues	<u>664,700</u>	<u>664,700</u>	<u>805,757</u>	<u>141,057</u>
<u>Expenditures</u>				
ALS General Operations:				
Office Supplies	-	-	2,124	-
General Supplies	-	-	7,996	-
Medical	-	-	1,622	-
Oxygen	-	-	1,738	-
Maintenance	-	-	4,943	-
Education and Dues	-	-	707	-
Miscellaneous	-	-	2,167	-
Total	<u>28,799</u>	<u>21,373</u>	<u>21,297</u>	<u>76</u>
Building:				
Utilities	-	-	19,884	-
Supplies	-	-	676	-
Outdoor Maintenance	-	-	3,403	-
Telephone	-	-	3,765	-
Repairs and Maintenance	-	-	8,534	-
Total	<u>33,500</u>	<u>33,500</u>	<u>36,262</u>	<u>(2,762)</u>

The Notes to the Financial Statements are an integral part of this statement.

# Tobin & Co.

## Suttons Bay-Bingham Fire and Rescue Department

Schedule 1

Page 2

### Statement of Revenues, Expenditures and Changes in Fund Balance

#### General Fund

For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
<u>Expenditures (continued)</u>				
Compensation:				
Standby	-	-	14,279	-
Fire Chief	-	-	11,025	-
Deputy Fire Chief	-	-	2,100	-
Reserve Pool	-	-	10,920	-
Paramedic Wages	-	-	249,316	-
Administrator	-	-	58,959	-
Payroll Taxes	-	-	25,442	-
Total	<u>375,264</u>	<u>374,864</u>	<u>372,041</u>	<u>2,823</u>
Administration and General:				
Secretary	-	-	-	-
Contractual Services	-	-	6,924	-
Supplies and Miscellaneous	-	-	379	-
Total	<u>9,750</u>	<u>7,605</u>	<u>7,303</u>	<u>302</u>
Fire Department General Operations:				
Printing and Publishing	-	-	681	-
General Supplies	-	-	1,317	-
SCBA Air	-	-	884	-
Radios and Pagers	-	-	3,008	-
Equipment Maintenance	-	-	3,080	-
Miscellaneous	-	-	3,946	-
Dues and Memberships	-	-	813	-
Education and Travel	-	-	5,238	-
Physical Exams	-	-	1,073	-
Total	<u>22,800</u>	<u>16,200</u>	<u>20,040</u>	<u>(3,840)</u>

The Notes to the Financial Statements are an integral part of this statement.



# Tobin & Co.

Suttons Bay-Bingham Fire and Rescue Department

Schedule 1  
Page 3

## Statement of Revenues, Expenditures and Changes in Fund Balance

### General Fund

For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
<u>Expenditures (continued)</u>				
Insurance and Fringe Benefits:				
Fire and Casualty	-	-	20,946	-
Workmen's Compensation	-	-	33,663	-
Health Insurance	-	-	62,237	-
Life Insurance and Disability	-	-	1,590	-
L.O.S.A.P. Payments	-	-	44,751	-
Clothing	-	-	1,997	-
Retirement	-	-	11,914	-
Total	<u>181,076</u>	<u>197,647</u>	<u>177,098</u>	<u>20,549</u>
Vehicle:				
Fuel	-	-	5,904	-
General Repair	-	-	13,245	-
General Supplies	-	-	912	-
Total	<u>18,500</u>	<u>18,500</u>	<u>20,061</u>	<u>(1,561)</u>
Debt Service	-	-	135,240	(135,240)
Capital Outlay	<u>4,300</u>	<u>4,300</u>	<u>28,158</u>	<u>(23,858)</u>
Total Expenditures	<u>673,989</u>	<u>673,989</u>	<u>817,500</u>	<u>(143,511)</u>
<u>Excess Revenue (Expenditures)</u>	<u>(9,289)</u>	<u>(9,289)</u>	<u>(11,743)</u>	<u>(2,454)</u>
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	-	-	27,846	27,846
Operating Transfers (Out)	-	-	(18,008)	(18,008)
Total	-	-	9,838	9,838
<u>Excess Revenues (Expenditures) and</u> <u>Other Financing Sources (Uses)</u>	(1) <u>\$ (9,289)</u>	<u>\$ (9,289)</u>	<u>(1,905)</u>	<u>\$ 7,384</u>
Fund Balance – Beginning of Year			<u>208,051</u>	
Fund Balance – End of Year			<u>\$ 206,146</u>	
(1) Budgeted from Fund Balance				

The Notes to the Financial Statements are an integral part of this statement.

# **Tobin & Co.**

## Suttons Bay-Bingham Fire and Rescue Department

## Schedule 2

### Statement of Revenues, Expenditures and Changes in Fund Balance

#### Equipment Replacement Fund

For the Year Ended March 31, 2006

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues -Grants</u>	\$ -	\$ 28,000	\$ 28,000
Total	-	28,000	28,000
<u>Expenditures - Capital Outlay</u>	-	9,953	9,953
Total	-	9,953	9,953
<u>Excess Revenues (Expenditures)</u>	-	18,047	18,047
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	-	7,008	7,008
Operating Transfers (Out)	-	(846)	(846)
Total	-	6,162	6,162
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	\$ -	24,209	\$ 24,209
Fund Balance – Beginning of Year		791	
Fund Balance – End of Year		\$ 25,000	

The Notes to the Financial Statements are an integral part of this statement.

# **Tobin & Co.**

Suttons Bay-Bingham Fire and Rescue Department

Schedule 3

## Combining Balance Sheet

### All Non-Major Funds

March 31, 2006

<u>Assets</u>	<u>Vehicle Replacement Fund</u>	<u>Building Fund</u>	<u>Budget Stabilization Fund</u>	<u>Total</u>
Cash in Bank	\$ -	\$ -	\$ -	\$ -
Investments	<u>6,994</u>	<u>6,213</u>	<u>-</u>	<u>13,207</u>
Total	<u>\$ 6,994</u>	<u>\$ 6,213</u>	<u>\$ -</u>	<u>\$ 13,207</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Equity				
Fund Balance	<u>6,994</u>	<u>6,213</u>	<u>-</u>	<u>13,207</u>
Total	<u>6,994</u>	<u>6,213</u>	<u>-</u>	<u>13,207</u>
Total Liabilities and Fund Equity	<u>\$ 6,994</u>	<u>\$ 6,213</u>	<u>\$ -</u>	<u>\$ 13,207</u>

The Notes to the Financial Statements are an integral part of this statement.

# Tobin & Co.

## Suttons Bay-Bingham Fire and Rescue Department

## Schedule 4

### Combining Statements of Revenues, Expenditures and Changes in Fund Balance

#### All Non-Major Funds

For the Year Ended March 31, 2006

	<u>Vehicle Replacement Fund</u>	<u>Building Fund</u>	<u>Budget Stabilization Fund</u>	<u>Total</u>
<u>Revenues</u>				
Contributions from Townships	\$ 30,000	\$ -	\$ -	\$ 30,000
Total	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
<u>Expenditures</u>				
Capital Outlay	<u>77,354</u>	<u>-</u>	<u>-</u>	<u>77,354</u>
Total	<u>77,354</u>	<u>-</u>	<u>-</u>	<u>77,354</u>
<u>Excess Revenues (Expenditures)</u>	<u>(47,354)</u>	<u>-</u>	<u>-</u>	<u>(47,354)</u>
<u>Other Financing Sources</u>				
Transfers In	7,000	2,000	2,000	11,000
Transfers Out	<u>-</u>	<u>-</u>	<u>(27,000)</u>	<u>(27,000)</u>
Total	<u>7,000</u>	<u>2,000</u>	<u>(25,000)</u>	<u>(16,000)</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources</u>	<u>(40,354)</u>	<u>2,000</u>	<u>(25,000)</u>	<u>(63,354)</u>
<u>Fund Balance – Beginning of Year</u>	<u>47,348</u>	<u>4,213</u>	<u>25,000</u>	<u>76,561</u>
<u>Fund Balance – End of Year</u>	<u>\$ 6,994</u>	<u>\$ 6,213</u>	<u>\$ -</u>	<u>\$ 13,207</u>

The Notes to the Financial Statements are an integral part of this statement.